



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Release Number: 201451032
Release Date: 12/19/2014
UIL Code: 501.03-03

Date:

July 30, 2012

Person to Contact:

Badge Number:

Contact Telephone Number:

Phone

Fax

Contact Address:

Employer Identification Number:

CERTIFIED MAIL

Dear

This is a final notice of adverse determination that your exempt status under section 501(c)(3) of the Internal Revenue Code is revoked. Recognition of your exemption under Internal Revenue Code section 501(c)(3) is revoked effective January 1, 20xx the following reason(s):

1. You have not demonstrated that you are operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3) and Treasury Regulations section 1.501(c)(3)-1(d). You did not engaged primarily in activities that accomplish one or more of the exempt purposes specified in section 501(c)(3). You are operated for a substantial non-exempt purpose, which is not an exempt purpose.
2. Your net earnings inure to the benefit of private shareholders and individuals, which is prohibited by IRC section 501(c)(3).
3. You are operated for a substantial private purpose rather than a public purpose, which is prohibited by Internal Revenue Code section 501(c)(3) and Treasury Regulations section 1.501(c)(3)-1(d)(1)(ii).

Contributions to your organization are no longer deductible effective January 1, 20XX.

Since your exempt status has been revoked, you are required to file Form 1120, U.S. Corporation Income Tax Return, for all years beginning on or after January 1, 20XX.

Income tax returns for subsequent years are to be filed with the appropriate Service Center identified in the instructions for those returns.

It is further determined that your failure to file a written appeal constitutes a failure to exhaust your available administrative remedies. However, if you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia before the (ninety-first) 91st day after the date that this determination was mailed to you. Contact the clerk of the appropriate court for rules for initiating suits for declaratory judgment. To secure a petition form, write to the following address: United States Tax Court, 400 Second Street, NW, Washington, DC 20217.

Please understand that filing a petition for a declaratory judgment under IRC section 7428 will not delay the processing of subsequent income tax returns and assessment of any taxes due.

You also have the right to contact the Office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help you get answers. You can call 1-877-777-4778, and ask for the Taxpayer Advocate assistance or you can contact the Advocate from the site where this issue was determined by writing to:

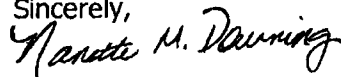
Taxpayer Advocate Office

Taxpayer Advocate assistance cannot be used as substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determination, nor extend the time fixed by law that you have to file a petition in Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

This letter should be kept within your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely,



Nanette M. Downing
Director, EO Examinations

Enclosures:
Publication 892

Internal Revenue Service

Department of the Treasury
Internal Revenue Service
TE/GE Exemption Organizations Examination

Date 3/7/12

Taxpayer Identification Number:

Form:

990-PF

Tax Year(s) Ended:

December 31, 20XX & December 31, 20XX

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Certified Mail - Return Receipt Requested

Dear

We propose to revoke our recognition of your exempt status as an organization described in section 501(c)(3) of the Internal Revenue Code (the Code). We enclose our report of examination explaining why we are proposing this action.

If you accept our proposal, please sign and return the enclosed Form 6018, *Consent to Proposed Action - Section 7428*, unless you have already provided us a signed Form 6018. We will issue a final revocation letter determining you are not an organization described in section 501(c)(3). After the issuance of the final revocation letter we will publish an announcement that you have been deleted from the cumulative list of organizations contributions to which are deductible under section 170 of the Code.

If you do not respond to this proposal, we will similarly issue a final revocation letter. Failing to respond to this proposal may adversely impact your legal standing to seek a declaratory judgment because you may be deemed to have failed to exhaust administrative remedies.

If you do not agree with our proposed revocation and wish to protest our proposed revocation to the Appeals Office of the Internal Revenue Service, then you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. This written request is called a protest. For your protest to be valid it needs to contain certain specific information which generally includes a statement of the facts, the applicable law, and arguments in support of your position. For the specific information needed for a valid protest, please refer to page 6 of the enclosed Publication 3498, *The Examination Process*, and page 1 of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*. If you do submit a valid protest, then an Appeals officer will review your case. The Appeals Office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498 and Publication 892 explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast

Track Mediation Services referred to in Publication 3498, generally do not apply after issuance of this letter. You may also request that we refer this matter for Technical Advice as explained in Publication 892 and an annual revenue procedure. Please contact the individual identified on the first page of this letter if you are considering requesting Technical Advice. If we issue a determination letter to you based on a Technical Advice Memorandum issued by the EO Rulings and Agreements function, then no further administrative appeal will be available to you within the IRS on the matter.

If you receive a final revocation letter, you will be required to file Federal income tax returns for the tax period(s) shown above as well as for subsequent years.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Director, EO Examinations
Nanette Downing

Enclosures:

Publication 892
Publication 3498
Report of Examination

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit Page 1 of 22
Name of Taxpayer		Year/Period Ended December 31, 20 December 31, 20

ISSUES:

- 1) Whether _____ is operating as an organization exempt under Section 501(c)(3) of the Internal Revenue Code?
- 2) Whether assets of the Foundation have inured to the benefit of a private shareholder or individual.
- 3) Whether there has been self-dealing between a disqualified person and a private foundation?
- 4) Whether _____ is a disqualified person with respect to _____?
- 5) Whether _____ is a disqualified person with respect to _____?
- 6) Whether expenditures incurred by _____ are "taxable expenditures" per section 4945(d)(5) of the Internal Revenue Code?
- 7) If the expenditures are found to be "taxable expenditures" are such expenditures subject to tax per section 4945(a)(1) of the Internal Revenue Code?
- 8) Whether _____ is a Foundation Manager with respect to _____?
- 9) Whether _____ is a Foundation Manager with respect to _____?
- 10) If the expenditures are deemed to be taxable expenditures and the foundation manager refuses to agree to part or all of the correction, would the additional tax per 4945(b)(1) be applicable?

FACTS

_____, herein after "Foundation", was created by a trust agreement on August 29, 20____. On January 29, 20____ the Internal Revenue Service recognized the Foundation as tax exempt under IRC 501(c)(3) and as a private foundation described under IRC 509(a). The trust agreement states that Foundation is created exclusively for charitable, religious, scientific, literary and educational purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code. The Foundation's

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit Page 2 of 22
Name of Taxpayer		Year/Period Ended December 31, 20 December 31, 20

application for tax exemption states that its mission is organized for charitable purposes and to create, give and practice integrity for the purpose of serving mankind.

Per the Trust Agreement;

- No part of the net earnings of shall inure or be payable to or for the benefit of any private individual, and no substantial part of the activities of shall be carrying on of propaganda, or otherwise attempting, to influence legislation.
- No part of the activities of shall be the participation in, or intervention in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.
- The trustee shall distribute the income of for each tax year at such time and in such manner as not to become subject to the tax on undistributed income imposed by section 4942 of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law). Further, the Trustees shall not engage in any act of self-dealing as defined in section 4941(d) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law) nor retain any excess business holdings as defined in section 4943 (c) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law), nor make any investments in such manner as to incur tax liability under section 4944 of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law), nor make any taxable expenditure as defined in section 4945(d) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law).
- The direction and management of the affairs of the foundation and the control and disposition of its properties and funds shall be vested in the Board of Trustees composed of such number of persons (not less than two) as may be fixed by the bylaws. Until changed by the bylaws the original number of trustees shall be two.

is the founder of the Foundation. and are the trustees/board members of . They contributed \$ and \$ to for tax years ended December 31, 20 and December 31, 20 , respectively. This was reported as a contribution on Form 990-PF.

During the telephone interview with , on January 28, 20 , she states that the Foundation is organized and created for charitable purposes. Asked about the funding of the foundation; she states that it was an amount transferred from their personal (for profit) corporation's bank account ' , a trade Company (buy and sell stocks). However the IRS records/system does not show any data for this corporation. When questioned about the purpose of creating the

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit Page 3 of 22
Name of Taxpayer		Year/Period Ended December 31, 20 December 31, 20

Foundation, she states their friend advised them that it is better to create a private foundation and transfer all the personal assets to it; to avoid probate. When she was questioned to explain her previous statement, she states that if she and her husband died; the foundation will still alive and their assets will be safe. "That is why we transferred our residence and other personal properties to the Foundation." sic

stated that they transferred 4 properties to the Foundation, including their personal residence located at
All personal properties were transferred in March 20

During the telephone interview on January 28, 20 when was asked how they become familiar with foundation, stated that she heard about it from a friend. She would not disclose who the "friend" was despite being asked several times. r stated that in assisted them in setting up the foundation and she paid them a set-up fee. The bank data shows a check was issued by and signed by on August 28, 20 for \$, paid to The

In response to question regarding the preparation of Forms 990-PF's; stated Forms 990-PF for 20 and 20 , were prepared and filed by of She stated he was recommended to them by a "friend" (again would not tell who the friend was.). She stated is an accountant that "prepares foundation" returns. "The preparation and the filing of these forms are always handled by correspondence. I have never met . " sic

The records of the County of show that the trustees have transferred and recorded the following properties to the foundation on March 17, 20 :

Table 1

Property Descriptions	Address	Property Value	Mortg balance owe	Occupancy
Land & detach. garag		\$	Paid off	
Bare lot		\$	Paid off	
Single family home		\$	Paid off	Main residence
Lot		\$	Paid off	Trustees Main residence
Warehouse		\$	Paid off	Former bus building
B lot adjacent to resid		\$	Paid off	

The have lived at in for years. Currently, the property is free and clear. They have taken various mortgages over the years depending on what improvements they wanted to do to the property. This residence is on two lots and then they also own two other lots that are next to the residence. One is a bare lot; the other one has a garage on it. When they bought the first lot, it had an old

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit Page 4 of 22
Name of Taxpayer		Year/Period Ended December 31, 20 December 31, 20

house on it that they burnt down. The last lot had a trailer house on it and they took that one down years ago. They have been trying to clean up the lots over the years.

In respond to Information Document Request, F4564, dated 10/26/20 , the trustees submitted one Board Meeting statement that reads as follows:

Trustees Board Minutes notes:

"Meeting called to order on 3-7- 20 by trustees at 4:00 P.M.
Business of the day is to discuss gifting of our home and properties to
It was decided our attorney should be contacted to do the transfer
paperwork for us. It was decided that the trustees' rent on the property would consist of
all maintenance and upkeep of the property."
The meeting closed at 4:15 P.M.

was questioned about the expenses listed on Form 990-PF for the year
ended December 31, 20 and for the year ended December 31, 20 as how these
expenses are related to the Foundation's charitable purpose. These requests were
made through letters and information document requests dated February 1, 20 , June
17, 20 and also through the telephone interview. states "the
Foundation pays for some of our personal health use products. This would be
considered part of trustee fees for operating the Foundation, the upkeep of the
foundation's property, and we gave checks to charities like and
others. We were planning to contribute funds to other charities if we make any dividend
from investment with The , but we didn't." sic

However the bank deposit analysis for the tax year ended December 31, 20 , shows
on October 28, 20 , a wire in, made to the Foundation bank account with
, account # , in the amount of \$, received
from The and marked as "returned money on investment."

The bank data and Form 990-PF, for year ended December
31, 20 , show check number , for \$, drawn on , account ending
, paid to . No proof of any other charitable or grant payments
made by the Foundation.

In response to Information Document Request #2, dated February 1, 20 , in regards
to the purpose of creating ; states "Our goal in
setting up a private family foundation was not only to protect our assets but to grow our
financial assets in such a way that we could support humanitarian projects in a greater
way than in any other venue. Our goals over the next ten years and beyond will be to
support a number of charitable organizations that we already support and look for

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit Page 5 of 22
Name of Taxpayer		Year/Period Ended December 31, 20 December 31, 20

others that would be of interest such as Christian schools and organizations that are geared to feeding the poor in our country and locations throughout the world. Also to be part of that help people be able to support themselves by starting them with the means to accomplish that. We would like to reach the ability to donate a million dollar a year to charities depending on the growth of our foundation. Our family has been involved in car racing for the last ten years with our son being the driver of the racecar. We love this sport and would like one day to move up this sport and support other young drivers to reach these goals like starting a racing school. This is a focused sport that can support family togetherness. There are foundations within our local racing community that support a number of worthy causes. There are a few of the goals which we hope to achieve over the next ten years and look forward to working with other likeminded foundations." sic

In response to questions regarding the source of contributions to the Foundation, listed on form 990-PF, for 20 and 20 , states that it was an amount transferred from their personal (for profit) corporation's bank account " , a trading company (buy and sell stocks). However the IRS records/system does not show any corporate tax return were ever been filed for the corporation that is referring to. When was informed that the IRS records does not show any returns were ever filed for the aforementioned corporation; she states that she and the Income Tax IRS Examiner are working on the corporate tax returns for . Then she advised the Examiner to get the up-date on this issue from the other IRS Examiner.

In response to question regarding The states that The sets up foundations to help families. "They do this all the time." sic. Then she advised the Examiner to check them out through their website " . She added "I attended one of their seminars, held in and then I paid them to set-up " states that she does not think that she still has any of their brochures or any handouts that she received from either The or

When was questioned about the investments listed on form 990-PF, for tax year ended December 31, 20C she states "beside helps people setting up private foundation, they also have several investment programs, I know that we invested funds with , but I don't really know the investment details on the return- , the preparer must have just listed stuff on the return. All I know that we invested fund with or and they forward the fund to another company called , then this company lost the investment and filed bankruptcy. "sic

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Name of Taxpayer		Year/Period Ended December 31, 20 December 31, 20

was questioned if she was still in contact with the or
she answered yes and she added; not too long ago she spoke
with their manager. And her reason for contacting the
is to check on the updates of the lost investment with
if there is any hope to get some of it back. And then she states the
investment amount has been lost completely.

On September 08, 20 authorized a wire fund transfer from the
Foundation bank account with in the amount of \$ to account of
The in as a loan from the Foundation to
at the rate of 12% annually.

herein after " " is a 501(c)(2) organization and an affiliated
organization to The has a 990 filing requirement. Internal
Revenue Service records show that a 990 has been filed for only the 20 period.

herein after " " is a separate entity from Internal
Revenue Service records do not indicate that the is a 501(c)(3)
organization or any other type of tax-exempt organization. states that
is the entity who sets-up private foundations and arranges seminars and workshops for
the participants.

The bank deposit analysis for the tax year ended December 31, 20 , show a wire in,
made to the Foundation bank account with , account #
on October 28, 20 in the amount of \$, received from The
and marked as "returned money on investment."

The promissory loan agreement between and
received during the audit process reads as follows:

This Agreement ("Agreement") is made and entered into as of this 4th day of, December 20 , by and between
, a 501(c)(2) ("Company") and ("Contributor").

WITNESSETH

The Contributor hereby agrees to loan \$ to participate in investment activity for a period of not less than 180
days from the program start date, automatically renewable at Contributor's instruction. The return on Investment DURING
THE PERIOD IS PAYABLE MONTHLY, plus the initial contribution and/or the will, at the request of the
Contributor at the end of each period. The Contributor may also instruct to hold all or part of the
funds for deposit into a subsequent program..

WHEREAS, the parties desire to memorialize their understanding and agreement with respect to Contributor's contribution
and the Company's distribution of payments to Contributor in accordance with the terms and provisions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and the mutual covenants and promises contained herein, receipt
and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit Page 7 of 22
Name of Taxpayer		Year/Period Ended December 31, 20 December 31, 20

1. **CONTRIBUTIONS.** As of the date of this Agreement, Contributor shall loan to Company cash in the amount of \$

2. **PAYMENT.** Company agrees to make payments to Contributor as describe above and provided in the pro forms.

3. **AMENDMENT AND TERMINATION.** This Agreement may not be amended or terminated except by written agreement signed by both parties. This agreement shall be upon the bankruptcy, receivership or distribution of the Company.

4. **GOVERNING LAW.** This agreement has been executed and delivered in the State of and shall in all respects be interpreted, construed and governed by and in accordance with the Laws of the State of

5. **NOTICES.** All notices hereunder shall be in writing and personally delivered or mailed by registered or certified mail return receipt requested to the Company's principal place of business in the case of notice to the Company, and to the most current address provided to the Company in the case of notice to Contributing member, or to such other address as the parties may designate in writing.

6. **WAIVERS.** Any waiver by any party or any violation of, breach of or default under any provision of this Agreement by the other party shall not be construed as, or constitute, a continuing waiver of such provision or waiver of any other violation of, breach of or default under any other provision of this agreement.

7. **ASSIGNABILITY.** This agreement shall not be assignable, in whole or in part, by Contributor without the prior written consent of the Company. This Agreement may be assigned in whole or in part by the Company to any successor in interest to the Company. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors, permitted assigns and personal representatives.

8. **COUNTERPARTS.** This agreement may be executed by the parties in one or more counterparts, it being the intention of the parties that said counterparts be binding against all who may so execute them. For purpose of this Agreement, copied or facsimile signature shall be deemed originals.

In Witness Whereof, the parties hereto have executed this Agreement as of the date and year first above written

COMPANY: (Borrower")

Foundation Name

signature

Contributor: ("Party")

signature

The Foundation received interest payment for tax year ended December 31, 20 of \$, on October 28, 20 , from . However the Foundation did not report this amount as dividend, or interest on Form 990-PF.

Another loan agreement with a promissory note, received during the audit process, between , as a "Lender" and ,

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit Page 8 of 22
Name of Taxpayer		Year/Period Ended December 31, 20 December 31, 20

as a "Borrower", signed by , as a trustee, made on January 18, 20 , and the loan amount was \$. The Borrower promised to pay said sum, with interest thereon at the rate of 200 percent per annum simple interest. The Borrower shall pay the principal sum and all accrued interest twelve (12) months from the effective date of the Promissory Note. The parties agree that the State of shall retain jurisdiction over all matters relevant and pertinent hereto, and this Agreement shall be interpreted under, and governed by the laws of the State of . However upon the due date for the Foundation to receive the loan sum and the accrued interest, the Borrower filed bankruptcy and the Foundation lost the entire loan.

During the audit, records provided by Foundation included bank statements, check registers, cancelled checks, promissory loan agreements and wire transfer instructions. The foundation has one checking account with and only and have signing privileges on the account. There are no formal written procedures needed to write a check for any amount or purpose.

The Foundation checking account with was opened in 20 . Deposits of \$ and \$ were transferred into the checking account, on September 11, 20 and December 3, 20 , respectively, from another checking account with , belonging to " , owned by and

The Foundation is on a calendar year, and on August 10, 20 , the Foundation filed its first return, Form 990-PF for tax year 20 . Form 990-PF for the period ending December 31, 20 was filed on August 15, 20 . The Foundation was created in 20 and the checking account with was opened also in 20 and it shows the Foundation received money in from checking account of \$ and \$ on September 11, 20 and December 3, 20 , respectively, however the Foundation did not file form 990-PF for tax year ended December 31, 20 . Moreover, the Foundation listed the above 2 transfers (\$ and \$) as part of the contributions listed on Form 990-PF, line 1, tax year ended December 31, 20

In response to document request, dated February, 1, 20 , the trustees submit the following details, to explain the foundation's contribution sources/breakdown:

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit Page 9 of 22
Name of Taxpayer		Year/Period Ended December 31, 20 December 31, 20

Table 2

Date	Amount	Source of Deposit	Notes given by Trustee
09/11/20	\$	Transfer from	Funded from
12/3/20	\$	Transfer from	Funded from
1/15/20	\$	Transfer from	From entity
4/29/20		(wire in)	Sale of stock shares by " " should not deposited to the fdn acct.
6/25/20	\$	From	-for
8/29/20	\$	(wire in)	Sale of stocks shares by " " should not deposited to the fdn acct.
Total	\$		
Less loan back	<\$	>	
Contributions, line 1	\$		

All decisions regarding the Foundation activities and plans are made by the trustees, and

Bank records for 20 and 20, Attachments #1 and #2 show the taxable expenditures paid from the Foundation's bank account:

Forms 990-PF for the 20 and 20 years shows charitable distributions of \$ and \$ respectively, detailed as follows:

Table 3

Date	Recipients	Amount	Purpose of Contributions
2/22/20		\$	Charitable contributions
Total		\$	
2/23/20		\$	Charitable contributions
3/9/20		\$	Charitable contributions
9/17/20		\$	Charitable contributions
9/21/20		\$	Charitable contributions
12/29/20		\$	Charitable contributions
12/28/20		\$	Charitable contributions
Total		\$	

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit Page 10 of 22
Name of Taxpayer		Year/Period Ended December 31, 20 December 31, 20

In the Foundation's application for tax exemption it was stated that the Foundation will make grants exclusively to other qualified 501(c)(3) organizations classified as public charities. The application stated that the Foundation requires an application for grant making purposes and that the Foundation requires a grant proposal, obligates the grantee to use the funds only for the purposes for which the grant is made, provides for periodic written reports concerning the use of the funds, requires a final written report and an accounting of how the funds were used, and acknowledges

authority to withhold and recover grant funds in case the funds are misused. No grant applications were reviewed during the audit as none had been received by the foundation.

Total expenses & disbursements reported on
for 20 and 20 returns were as follows:

Forms 990-PF

Table 4

Expense	20	20
Compensation of Officers	\$	-0-
Legal Fees-Other professional fees	\$	\$
Travel and conference	\$	\$
Printing and publications	\$	\$
Supplies and equipment	\$	\$
Office expenses	\$	
Misc. expenses	\$	\$
Contributions, gifts, grants paid	\$	\$
Occupancy		\$
Total Expense and disbursements	\$	\$

The examination of debit business card monthly statements show charges to pay for recurring expenses which appear to be personal in nature, such as

The trustees did not submit any substantiation for the travel and conference expense, except a charge of \$, on 7/15/20 , was paid to , paid by the Foundation's debit card, account end #

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit Page 11 of 22
Name of Taxpayer		Year/Period Ended December 31, 20 December 31, 20

LAW

Section 501(c)(3) of the Internal Revenue Code exempts from federal income tax organizations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, educational purposes, to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual. The Foundation charitable purposes are to create, give and practice integrity for the purpose of serving mankind.

Section 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will not be regarded as operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of exempt purposes.

Section 1.501(c)(3)-1(d)(i)(ii) of the regulations provides that to meet the operational test, an organization must be engaged in activities furthering "public" purposes rather than private interests. It must not be operated for the benefit of designated individuals or the persons who created it.

Section 170(c)(2)(B) of the Internal Revenue Code defines the term "charitable contribution" as a contribution or gift to of for the use of a foundation that is organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes.

Internal Revenue Code Section 4941 (d) defines self-dealing for purposes of Section 4941, as any direct or indirect sale or exchange, lending of money or extension of credit, furnishing of goods, services, facilities between a foundation and a disqualified person.

Section 4945(a)(1) of the Internal Revenue Code imposes an initial tax equal to 20% of each taxable expenditure. This tax shall be paid by the private foundation.

Section 4945(a)(2) of the Internal Revenue Code imposes a tax equal to 5% of the

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Name of Taxpayer		Year/Period Ended December 31, 20 December 31, 20

taxable expenditure. The tax shall be paid by any foundation manager who agreed to the making of the taxable expenditure.

Section 4945(b)(1) of the Internal Revenue Code imposes a tax equal to 100% of the amount of the taxable expenditure if the initial tax is imposed under IRC section 4945(a)(1) and if the expenditure is not corrected within the taxable period. This tax is paid by the private foundation.

Section 4945(b)(2) of the Internal Revenue Code imposes a tax equal to 50% of the taxable expenditure if the foundation manager refused to agree to part or all of the correction. The tax shall be paid by any foundation manager who refuses to agree to part or all of the correction.

Section 4945 (c)(1) of the Internal Revenue Code imposes a tax equal to 5% of the taxable expenditure if the foundation managers who agreed to make the taxable expenditure are jointly and severally liable for the initial 5 percent excise tax, and thus the full amount or any part of the tax may be collected from any one or more of the foundation managers who are liable for the tax.

Section 4945 (c)(2) of the Internal Revenue Code limits the maximum initial excise tax that in the aggregate may be assessed against foundation managers with respect to a single taxable expenditure is \$10,000.

Section 4945(d)(5) of the Internal Revenue Code defines the term "taxable expenditure" as any amount paid or incurred by a private foundation for any purpose other than that specified in section 170(c)(2)(B).

Section 4945(i)(1) of the Internal Revenue Code defines "correction" and "correct" as recovering part or all of the expenditure to the extent recovery is possible, and where full recovery is not possible such additional corrective action as is prescribed the Secretary by regulations.

Section 4945(i)(2) defines the term "taxable period" with respect to any taxable expenditure, the period beginning with the date on which the taxable expenditure occurs and ending on the earlier of (A) the date of mailing a notice of deficiency with respect to the tax imposed by subsection (a)(1), or (B) the date on which the tax imposed by subsection (a)(1) is assessed.

Section 4946 defines a disqualified person for purposes of Section 4941 as a substantial contributor, foundation manager, or member of the family of the aforementioned. Member of the family for this section defined as, spouses, ancestors, children, grandchildren, and spouses of ancestors, children and grandchildren.

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IRC §4946(a)(1)(B) defines a disqualified person as a foundation manager.

Section 4946(b) defines the term "foundation manager" as an officer, director, or trustee of a foundation (or an individual having powers or responsibilities similar to those of officers, directors, or trustees of the foundation), and with respect to any act (or failure to act), the employees of the foundation having authority or responsibility with respect to such act (or failure to act).

Section 53.4945-6(b)(1) of the regulations provides that expenditures made to acquire investments and related investment expenses for the purpose of obtaining income or funds to be used in furtherance of purposes described in IRC 170(c)(2)(B) will not be treated as taxable expenditures under IRC 4945(d)(5)

In *Thorne v. Commissioner*, 99 T.C. 67 (1992), a taxpayer was the trustee of a private charitable trust and placed the entire trust in an unlicensed company in the Bahamas. The taxpayer made numerous grants to organizations that were not tax-exempt, that he did not exercise expenditure responsibility under Section 4945(h) over grants to friends and relatives for personal purposes. The court held that the taxpayer was liable for excise tax under IRC 4944 and IRC 4945.

GOVERNMENT'S POSITION

1) Whether _____ is operating as an organization exempt under Section 501(c)(3) of the Internal Revenue Code?

The Foundation is not operated exclusively for charitable purposes as is required per Section 501(c)(3) of the Internal Revenue Code. The Foundation's application for tax exemption states that its mission is to create, give and practice integrity for the purpose of serving mankind. It further states that the Foundation plans to be exclusively a grant-making foundation as defined in IRC 4942 and will make grants exclusively to other qualified 501(c)(3) organizations classified as public charities. Other than contributions to _____ and other few charitable entities; the Foundation has not made exempt function distributions. Section 170(c)(2)(B) defines the term charitable contribution as a contribution or gift to or for the use of a foundation that is organized and operated exclusively for religious, charitable, scientific, literary, or education purposes. The Foundation has not been able to explain what their charitable purpose is beyond vague and general terms.

Section 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes

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specified in that section. The Foundation does not operate exclusively for charitable purposes. The Foundation has not done what it stated it would do in its application for exemption. Other than contributions to and other few charitable entities; the Foundation has not made exempt function. The Foundation has not been able to explain what their charitable purpose is beyond vague and general terms. The Foundation has failed to exercise expenditure responsibility as required by Section 4945(h) of the Internal Revenue Code.

2) Whether assets of the Foundation have inured to the benefit of a private shareholder or individual?

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that to meet the operational test, an organization must be engaged in activities furthering "public" purposes rather than private interests. It must not be operated for the benefit of designated individuals or the persons who created it. Regulation Section 1.501(c)(3)-1(c)(2) "Distribution of earnings" expands on the definition of an activity that is not in furtherance of an exempt purpose. It states: "An organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. Regulation Section 1.501(a)-1(c) defines 'private shareholder or individual' when it states: "The words 'private shareholder or individual' in Section 501 refer to persons having a personal and private interest in the activities of the organization." The analysis of the Foundation's checking account with shows an amount of \$ and \$, for tax year ended December 31, 20 and tax year ended December 31, 20 , respectively, were used to pay for the personal expenditures. As shown in the facts section. See Attachment 1 and Attachment 2.

Regulation Section 1.501(c)-1(d)(ii) provides emphasis to the operational test. It states that an organization is not organized or operated exclusively for one or more exempt purposes "...unless it serves a public rather than a private interest. Thus ... it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests."

3) Whether there has been self-dealing between a disqualified person and a private foundation?

Internal Revenue Code Section 4941(d) defines self-dealing for purposes of Section 4941, as any direct or indirect sale or exchange, lending of money or extension of credit, furnishing of goods, services, facilities between a foundation and a disqualified person. and are the trustees/board members of Foundation;

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therefore meet the definition of disqualified persons. They approved the distribution of the foundation's funds to cover their personal expenditures.

4) Whether _____ is a disqualified person with respect to

Internal Revenue Code Section 4946 defines a disqualified person for purposes of Section 4941 as a substantial contributor, foundation manager, or member of the family of the aforementioned. Member of the family for this section defined as, spouses, ancestors, children, grandchildren, and spouses of ancestors, children and grandchildren. _____ is one of the substantial contributors and one of the trustees/board members of _____ trustee is responsible for taking care of everything related to the Foundation activity. An inspection of bank signature cards revealed that _____ has signing privileges on the account. As foundation manager, director, trustee, and secretary-treasurer, _____ meets the definition of disqualified person, per the Internal Revenue Code.

5) Whether _____ is a disqualified person with respect to

Internal Revenue Code Section 4946 defines a disqualified person for purposes of Section 4941 as a substantial contributor, foundation manager, or member of the family of the aforementioned. Member of the family for this section defined as, spouses, ancestors, children, grandchildren, and spouses of ancestors, children and grandchildren. _____ is one of the substantial contributors and one of the trustees/board members of the Foundation. _____ trustee is responsible for taking care of everything related to the Foundation activity. An inspection of bank signature cards revealed that _____ has signing privileges on the account. As foundation manager, director, trustee, and secretary-treasurer, _____ meets the definition of disqualified person, per the Internal Revenue Code.

6) Whether expenditures incurred by _____ are "taxable expenditures" per section 4945(d)(5) of the Internal Revenue Code?

Section 4945(d)(5) of the Internal Revenue Code defines the term "taxable expenditure" as any amount paid or incurred by a private foundation for any purpose other than that specified in section 170(c)(2)(B). Since the Foundation has not been able to demonstrate a clear exempt purpose, the majority of the expenses reported on the Foundation's 990-PF's for 20____ and 20____ are held to be taxable expenditures and thus subject to tax under 4945(a)(1) and 4945(b)(1). The Foundation has not primarily used funds for charitable purposes. Other than small contributions to other charitable

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entities, expenditures were for personal purposes. As shown in the facts section, taxable expenditures in the amount of \$ and \$ were approved and paid out of the Foundation's fund.

The Trustees were required to exercise expenditure responsibility over such distributions as described in Section 4945(h) of the Internal Revenue Code. The Trustees failed to do so.

7) If the expenditures are found to be "taxable expenditures are such expenditures subject to tax per section 4945(a)(1) of the Internal Revenue Code?

Since the Foundation has not been able to demonstrate a clear exempt purpose or show unambiguous charitable distributions, the following expenses reported on the Foundation's 990-PF's from 20 and 20 are held to be taxable expenditures and thus subject to tax under 4945(a)(1). The taxes under this section shall be paid by the private foundation and are calculated as follows:

Table 5

Expenditure	Tax year 20	Tax year 20	Tax Rate	Sec 4945(a)(1)
Personal Expenditures	\$	\$		
	\$		20%	\$
		\$	20%	\$
Total Taxes				\$

8) Whether is a Foundation Manager with respect to

Section 4946(b) defines the term "foundation manager" as an officer, director, or trustee of a foundation (or an individual having powers or responsibilities similar to those of officers, directors, or trustees of the foundation), and with respect to any act (or failure to act), the employees of the foundation having authority or responsibility with respect to such act (or failure to act).

is the trustee/director of the Foundation. As the trustee/director she is responsible for taking care of everything related to the Foundation activity. An inspection of bank signature cards revealed that has signing privileges on the account. As foundation manager, director, trustee, and secretary-treasurer, meets the definition of a Foundation Manager.

9) Whether is a Foundation Manager with respect to

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Section 4946(b) defines the term "foundation manager" as an officer, director, or trustee of a foundation (or an individual having powers or responsibilities similar to those of officers, directors, or trustees of the foundation), and with respect to any act (or failure to act), the employees of the foundation having authority or responsibility with respect to such act (or failure to act). _____ is the trustee/director of the Foundation. As the trustee/director for the Foundation, he is responsible for taking care of everything related to the Foundation activity. An inspection of bank signature cards revealed that _____ has signing privileges on the account. As foundation manager, director, trustee, and secretary-treasurer, _____ meets the definition of a Foundation Manager.

10) If the expenditures are deemed to be taxable expenditures and the foundation manager refuses to agree to part or all of the correction, would the additional tax per 4945(b)(1) be applicable?

Section 4945(b)(1) of the Internal Revenue Code imposes a tax equal to 100% of the taxable expenditure if the initial tax is imposed under IRC section 4945(a)(1) and if the expenditure is not corrected within the taxable period. This tax shall be paid by the Foundation. Section 4945(i)(1) of the Internal Revenue Code defines "correction" and "correct" as recovering part or all of the expenditure to the extent recovery is possible, and where full recovery is not possible such additional corrective action as is prescribed the Secretary by regulations. _____ become liable to pay for the additional tax of 100% provided the correction is not made within the taxable period. Correction would be achieved if the _____ family paid back the foundation for expenses held to be taxable expenditures. The _____ family must pay back \$ _____ within the taxable period to achieve correction.

If the Foundation fails to make correction, then the Foundation is liable for Tax under Section 4945(b)(1) of the Internal Revenue Code. Tax under Section 4945(b)(1) will be 100% of the amount involved or \$ _____ for 20 _____ and \$ _____ for 20 _____, with total correction being \$ _____

Tax year	Taxable Expenditures	Tax Rate	Section 4945(b)(1) tax
20 _____	\$ _____	100%	\$ _____
20 _____	\$ _____	100%	\$ _____
Total 4945(b)(1) tax for all years	\$ _____	100%	\$ _____

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CONCLUSION

..... is not organized and operated exclusively for charitable purposes as required by Section 501(c)(3) of the Internal Revenue Code. Therefore the government recommends that the Foundation's tax-exempt status should be revoked.

The Foundation did not show that it was operating for an exempt purpose, and its expenditures were for purposes other than those described in 170(c)(2)(B). Expenditures incurred by the Foundation are taxable expenditures. Taxes under Section 4945(a)(1) of the Internal Revenue Code shall be imposed on the Foundation. If correction is not made within the taxable period, then taxes under Section 4945(b)(1) of the Internal Revenue Code shall be imposed as calculated above.

TAXPAYER'S POSITION:

Not presented yet.

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Attachment 1

Acct #		- Tax year 20		
Stmt	Trans	Amount	CK #/ debit card	Memo
Date	Date			
2/29/20	2/22/20	\$	1001	Donation to
4/30/20	4/18/20	\$		Supplies
5/31/20	5/1/20	\$	ck card	
5/31/20	5/2/20	\$	ck card	
5/31/20	5/13/20	\$	ck card	
5/31/20	5/22/20	\$	ck card	
5/31/20	5/27/20	\$	ck card	
5/31/20	5/29/20	\$	ck card	
5/31/20	5/30/20	\$	ck card	
6/30/20	6/2/20	\$	ck card	
6/30/20	6/4/20	\$	ck card	
6/30/20	6/11/20	\$	ck card	
6/30/20	6/12/20	\$	ck card	
6/30/20	6/12/20	\$	ck card	
6/30/20	6/25/20	\$	ck card	
6/30/20	6/30/20	\$	ck card	
7/31/20	7/2/20	\$	ck card	
7/31/20	7/7/20	\$	ck card	
7/31/20	7/7/20	\$	ck card	
7/31/20	7/8/20	\$	ck card	
7/31/20	7/14/20	\$	ck card	
7/31/20	7/15/20	\$	ck card	
7/31/20	7/17/20	\$	ck card	
7/31/20	7/23/20	\$	ck card	
7/31/20	7/24/20	\$	ck card	
7/31/20	7/29/20	\$	ck card	
7/31/20	7/31/20	\$	ck card	
8/31/20	8/1/20	\$	ck card	
8/31/20	8/5/20	\$	ck card	
8/31/20	8/12/20	\$	ck card	
8/31/20	8/12/20	\$	ck card	
8/31/20	8/15/20	\$	ck card	
8/31/20	8/22/20	\$	ck card	

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8/31/20	8/25/20	\$	ck card
8/31/20	8/29/20	\$	ck card
9/30/20	9/3/20	\$	ck card
9/30/20	9/5/20	\$	ck card
9/30/20	9/12/20	\$	ck card
9/30/20	9/16/20	\$	ck card
9/30/20	9/24/20	\$	ck card
9/30/20	9/29/20	\$	ck card
9/30/20	9/30/20	\$	ck card
10/31/20	10/14/20	\$	ck card
10/31/20	10/23/20	\$	ck card
10/31/20	10/24/20	\$	ck card
10/31/20	10/28/20	\$	ck card
11/30/20	11/10/20	\$	ck card
11/30/20	11/12/20	\$	ck card
11/30/20	11/14/20	\$	ck card
11/30/20	11/24/20	\$	ck card
11/30/20	11/24/20	\$	ck card
11/30/20	11/25/20	\$	ck card
11/30/20	11/26/20	\$	ck card
11/30/20	11/28/20	\$	ck card
12/31/20	12/1/20	\$	ck card
12/31/20	12/3/20	\$	ck card
12/31/20	12/8/20	\$	ck card
12/31/20	12/12/20	\$	ck card
12/31/20	12/15/20	\$	ck card
12/31/20	12/17/20	\$	ck card
12/31/20	12/18/20	\$	ck card
12/31/20	11/24/20	\$	ck card

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Attachment 2

-Acct - tax year 20

Stmnt Date	Trans Date	Amount	Debit card/ Ck #	Memo
1/31/20	1/5/20		ck card	
1/31/20	1/14/20		ck card	
1/31/20	1/20/20		ck card	
1/31/20	1/23/20		ck card	
2/28/20	2/3/20		ck card	
2/28/20	2/17/20		ck card	
2/28/20	2/17/20		ck card	
2/28/20	2/24/20		ck card	
3/31/20	3/3/20		ck card	
3/31/20	3/12/20		ck card	
3/31/20	3/12/20		ck card	
3/31/20	3/16/20		ck card	
3/31/20	3/17/20		ck card	
3/31/20	3/23/20		ck card	
3/31/20	3/24/20		ck card	
3/31/20	3/30/20		ck card	
3/31/20	3/31/20		ck card	
4/30/20	4/14/20		ck card	
4/30/20	4/22/20		ck card	
4/30/20	4/23/20		ck card	
4/30/20	4/24/20		ck card	
4/30/20	4/28/20		ck card	
5/31/20	5/4/20		ck card	
5/31/20	5/26/20		ck card	
5/31/20	5/26/20		ck card	
5/31/20	5/27/20		ck card	
6/30/20	6/10/20		ck card	
6/30/20	6/23/20		ck card	
6/30/20	6/24/20		ck card	
7/31/20	7/21/20		ck card	
7/31/20	7/22/20		ck card	
8/31/20	8/11/20		ck card	
8/31/20	8/18/20		ck card	
8/31/20	8/24/20		ck card	

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9/30/20	9/8/20	ck card
9/30/20	9/22/20	ck card
10/31/20	10/6/20	ck card
10/31/20	10/21/20	ck card
10/31/20	10/22/20	ck card
10/31/20	10/26/20	ck card
11/30/20	11/6/20	ck card
11/30/20	11/10/20	ck card
11/30/20	11/23/20	ck card
11/30/20	11/24/20	ck card
12/31/20	12/1/20	ck card
12/31/20	12/3/20	ck card
12/31/20	12/7/20	ck card
12/31/20	12/8/20	ck card
12/31/20	12/16/20	ck card
12/31/20	12/17/20	ck card
12/31/20	12/21/20	ck card
12/31/20	12/21/20	ck card